Schlegel International: Creating the Springboard for Growth

November 2016
What We Do

**Aluminium Hardware**
- Tilt-and-Turn hardware
- Handles and cremones
- Hinges
- Locks
- Sliding window hardware
- Giesse GOS complete system

**Fenestration Seals**
- Friction Seals for sliding applications
  - Pile
  - Foam
- Compression seals for opening applications
  - Foam
  - Extrusions (PVC and TPE)
We are a Global Player

**EMEAI**
- Consolidate our strong position in Europe, filling market ‘white spaces’.
- Solidify our presence in the Middle East & expand product offer to include seals.
- Monitor market development in India and Africa.

**China**
- Gain share in China targeting added value sectors and the burgeoning refurbishment market.

**Latin America**
- From our base in Brazil, increase presence across throughout Latin America.

**APAC**
- Consolidate strong position in ANZ and Increase our distribution points in ASEAN territories.

- = Manufacturing
- = Sales/Distribution
△ = Site Closed as part of Footprint rationalisation
Expanding Sales Footprint

H1 2015 Sales - Schlegel only

- Europe: 73%
- APAC: 17%
- Latin America: 8%
- China: 2%

H1 2016 Sales - Schlegel & Giesse

- Europe: 69%
- MEI: 9%
- APAC: 6%
- Latin America: 8%
- China: 8%

Total H1 2015 Sales: £19.7m
Total H1 2016 Sales: £38.9m
Strategic Development

Create a Solid Foundation for Sales & Profit Growth

Add Value
- Product innovation & differentiation
- Unique bundle of seals & hardware
- Efficient and cost effective manufacturing mix

Extend Current Market Reach
- Expansion of current product range and increased activity with System Houses
- Exploit cross selling opportunities
- Entry into PVC & timber hardware

Target New & Emerging Markets
- Penetrate large South American markets
- Develop presence in ASEAN
- Take sector growth opportunities in China
The total global fenestration market is estimated at nearly €200bn (Source = Freedonia Group).
Across our targeted markets we estimate the fenestration hardware market to be nearly €20bn (Internal estimates).
Market value is enhanced in more developed regions.
Significant variations by Market

**EMEAI**
- Markets growing in Europe.
- Timber dominates North, PVC in central band & aluminium in South.
- PVC attacking aluminium in South.
- Sliding move towards lift/slide & compression seals.

**China**
- Market softening after long period of growth.
- High end accessibility for branded European manufacturers.
- Huge potential in RMI sector.
- Aluminium strong in the South, timber and PVC in the North.
- Manufacturing opportunity for global markets.

**Latin America**
- Volatile markets country by country.
- Migration from steel to aluminium as markets mature.
- Risk of increased competition in Argentina as import controls are removed.

**Asia Pacific**
- ANZ - Short term falls in new housing sector, growth in commercial.
- ANZ - PVC growth potential from low base, especially in RMI.
- ASEAN – emerging markets, strong aluminium share.
- ASEAN – importance of distribution.
Shared channels for seals and hardware.

Strong trade brands for both Schlegel and Giesse.

Flexible approach depending on particular strength.

Distributors important when building market presence.

System house influence strong, especially for aluminium and PVC.
Strong Aluminium Presence in all Markets

Europe 23%
- Aluminium dominates Southern Europe
- PVC dominates in a central band from the UK to Russia
- Timber dominates Scandinavia
- Aluminium share flat although some signs of fightback against PVC in residential sector

China 60+%

ASEAN 80+%
- Aluminium share stable

Australia & NZ 80+%
- Small loss of aluminium share to PVC as refurbishment grows and increased focus on energy saving

Latin America 40+%
- Aluminium share growing at expense of steel in Brazil
- Significant material type in all major territories
- Argentina a unique market with Euro-groove system established as the norm
## Significant Expansion Opportunity

<table>
<thead>
<tr>
<th>Seals Share (lin m)</th>
<th>Internal Doors</th>
<th>Weather &amp; Glazing Seals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Timber</td>
<td>Timber</td>
<td>PVC</td>
</tr>
<tr>
<td>Opening</td>
<td>5.8%</td>
<td>10.4%</td>
<td>17.7%</td>
</tr>
<tr>
<td>Sliding</td>
<td>-</td>
<td>1.2%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Glazing</td>
<td>-</td>
<td>10.7%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Total</td>
<td>5.8%</td>
<td>22.3%</td>
<td>43.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hardware Share</th>
<th>All Hardware (€m)</th>
<th>Timber</th>
<th>PVC</th>
<th>Aluminium &amp; Metal</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>2,130</td>
<td>27.8%</td>
<td>33.0%</td>
<td>39.2%</td>
<td>38.8%</td>
</tr>
<tr>
<td>Residential</td>
<td>3,363</td>
<td>41.2%</td>
<td>46.5%</td>
<td>12.3%</td>
<td>61.2%</td>
</tr>
<tr>
<td>Total</td>
<td>5,493</td>
<td>36.0%</td>
<td>41.2%</td>
<td>22.8%</td>
<td>100%</td>
</tr>
</tbody>
</table>

*European Fenestration Seals & Hardware Market 2015, including Russia.*
*Source: Schlegel market model*
Growing European Markets: Hardware

- Estimated value of mechanical fenestration hardware €6.3bn in 2015
- Forecast to rise to €7.0bn in 2019
- Architectural ironmongery and electro-mechanical hardware not included
- 67% of the hardware market is for windows, 33% for doors
- Market is 53% residential and 47% non-residential by value
- Commercial hardware significantly more expensive, in volume terms the market split is 73% and 27% non-residential 27%

Source: Euroconstruct Country and summary reports, Schlegel market model and various Country specific Industry reports
Growing European Markets: Seals

- Total volumes of around 4.5m metres in 2015, increasing to 5m metres in 2019.
- Weatherseals make up 42%; Internal door seals at 6%; Glazing seals 52%.

2015 Seals by Material

Source: Euroconstruct Country and summary reports, Schlegel market model and various Country specific Industry reports
Product Range Expansion

**TPE (Plastic)**
- Traded products ahead of either acquisition or organic development.
- If organic, develop current activity on new site; If acquisition, centralise operations

**EPDM (Rubber)**
- Traded products to create credible hardware/seals offer
- Continuous review of acquisition opportunities
- One large acquisition or several smaller ones

**Hardware: for Aluminium and PVC /Timber windows**
- Identify Product range ‘white spaces’ in current activity
- Identify opportunities for ERA/AT products in designated European sectors
- Analyse the market, identify key European players and establish contact with all potential targets
Innovation is a key element

- NP Supra Window Handle
- C.H.I.C. Concealed Window Hinge
- GOS System
- Combination Seals (Foam/Extrusion ; Pile/Extrusion)
Integration On Track

- Two year project (to end Q1 2018).
- Total savings of €4.0m identified.
- c 40% of Integration projects completed to date to deliver savings progressively through 2016, 2017 & 2018.

Synergy Benefits by Type

- New Markets 6%
- Cross Sell 17%
- Comm Mgt 2%
- Process Imp 9%
- Dist & Trans 1%
- Admin Cost 16%
- Footprint 11%
- Headcount 38%

Integration Projects

40%
Good Strategic Progress

Exit non-core speciality product business and consolidation of European Pile manufacturing onto one European site

Integration of Schlegel and Giesse into one business

Footprint, legal entity and personnel restructuring in progress

Establishment of new Senior Management team and creation of a 5 year Strategic Plan 2017-2021

Commercial structures established to target the identified cross selling opportunities

Synergy activities ongoing and in line with initial plan
Internal Developments

**EMEAI**
- Develop effective organisation
- Integration of Sales Team and implementation of Optimum Commercial Strategy
- Managing effective Innovation for hardware products
- Back office move to common processes and platform

**China**
- Optimise China Manufacturing
- Reaction to market forces, both competition and macro

**Latin America**
- Hardware Penetration in Brazil.
- Internationalise Pile and PVC product.
- Export Orientation

**Asia Pacific**
- Development of Local, Integrated Technical Support
- Review of options for best route to supply ANZ markets
Summary of Opportunities

- **Cross selling** seals and aluminium hardware
- Entering the **PVC and timber** hardware markets
- **Investment** in the IT infrastructure
- Increasing our capability in the design, manufacture and supply of extruded seals in **TPE and EPDM**
- Completion of **Footprint** rationalisation
- Developing **supply channel** in the growing RMI/Retail sector in China
- **Expansion** of our activity in Latin America
- **Promotion of full Tyman Group product range** by Schlegel in China, Gulf, Asia-Pac and Lat-Am territories
Conclusion

“Creating the Springboard for Growth”

With the Giese acquisition we have bought a good business

Key Markets showing signs of Growth

Integration progressing well, we are further ahead than expected

With strong Organic sales growth and delivery of Synergy benefits we expect to double current profitability over the life of existing plans

Opportunities exist in all markets

Further opportunities from the expansion of our current product range
QUESTIONS